

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 INT-08 NSC-07

SS-20 STR-08 CEA-02 DRC-01 /145 W

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R 121925Z MAR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2509

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E.O. 11652: N/A

TAGS: BDIS EFIN BL

SUBJECT: YPFB--RESCHEDULING OF GULF SETTLEMENT AND IMPLICATIONS
FOR BUDGET AND BALANCE OF PAYMENTS

REF: STATE 034718; LA PAZ 1277

1. DURING COURTESY CALL MADE ON ON HIM MARCH 11, RECENTLY APPOINTED MINISTER OF ENERGY AND HYDROCARBONS JIMENEZ ASKED ME TO CONSIDER RECOMMENDING TO WASHINGTON THE USE OF OUR "GOOD OFFICES" TO ASSIST IN THE RESCHEDULING OF PAYMENTS TO GULF. HE SAID THAT AT PRESENT PRICES FOR SALES, BOLIVIA WILL BE PAYING \$2 MILLION A MONTH TO GULF AND THUS WILL LIQUIDATE REMASING APPROXIMATELY \$70 MILLION OF DEBT IN THREE OR FOUR YEARS. MINISTER SAID THAT GOVERNMENT IS RECEIVING CRITICISM IN SEVERAL QUARTERS FOR MAINTAINING RATES OF PAYMENT TO GULF IN FACE OF DESPERATE NEED FOR USE OF THESE RESOURCES FOR BUDGETARY AND INVESTMENT PURPOSES. WHILE HE REALIZED GOVERNMENT COULD DEFEND ITSELF TO SOME EXTENT BY ASSERTING THAT PERCENTAGE ARRANGEMENT WAS BENEFICIAL TO BOLIVIA IN EVENT PRODUCTION AND SALES DECLINED, THIS ARGUMENT HARDLY SATISFIES SOLICITANTS FOR INCREASED BUDGETARY ALLOCATIONS UNDER PRESENT HIGH WORLD PRICES OF PETROLEUM. ACCORDING TO MINISTER, GULF HAS OFFERED TO ACCEPT LUMP SUM PAYMENT AT SOMEWHAT LIMITED OFFICIAL USE

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SMALLER AMOUNT, BUT THIS WOULD PLACE GOB IN POSITION OF HAVING

TO NEGOTIATE COMMERCIAL BANK CREDIT OVER SHORT PERIOD AT HIGH INTEREST RATES. MINISTER JIMENEZ SAID THAT BOLIVIAN REPRESENTATIVES HAD PUT SEVERAL ALTERNATIVES FORWARD TO GULF WHICH IS EXPECTED TO RESPOND WITHIN A WEEK OR SO. MINISTER NOT OPTIMISTIC THAT GULF WILL ACCEPT ANY OF THESE ALTERNATIVES AND HENSE ASKED FOR USG "GOOD OFFICES" SO AS TO FREE UP SORELY NEEDED FUNDS FOR CURRENT USES NOW BEING DERIVED FROM HIGH PETROLEUM PRICES. MINISTER WAS WELL BRIEFED ON CONVERSATION REPORTED IN STATE 034718 BUT ASKED US TO RECONSIDER POSITION OUTLINED BY BC DEPUTY DIRECTOR LOWENTHAL.

2. I INDICATED THAT OUR POSITION AT THE MOMENT WAS NOT TO BECOME INVOLVED IN RESCHEDULING NEGOTIATIONS, BUT IN VIEW OF MINISTER'S EARNEST REQUEST TO ME, I WOULD PASS ON TO WASHINGTON BY TELEGRAM HIS REQUEST AND SOLICIT A WASHINGTON COMMENT.

3. IN LA PAZ 1277 IT WAS REQUESTED THAT DEPT. MIGHT WISH TO OBTAIN FROM GULF ESTIMATES OF CURRENT PAYMENTS AT EXISTING PRICES SO AS TO CLARIFY THE FACTS OF ON-GOING GOB PAYMENTS TO GULF. AS WAS MENTIONED IN LA PAZ 1277, IF HIGH LEVELS OF PAYMENTS TO GULF ARE CORRECT, EMBASSY ESTIMATE OF 1974 BALANCE OF PAYMENTS SURPLUS WOULD FALL FROM A FORECASTED \$11.4 MILLION TO A DEFICIT OF \$6.9 MILLION. IF THIS IS SO, IT MAY VERY WELL BE IN USG INTEREST TO CONSIDER EXTENDING "GOOD OFFICES" SO AS TO FACILITATE OVER THE NEAR TERM PROCEEDS FROM GE AND PETROLEUM SALES FOR DOMESTIC INVESTMENT NEEDS.
STEDMAN

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Message Attributes

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